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1. Since October 1956 three principal developments have been noted in the Soviet Bloc's new foreign economic policy toward underdeveloped countries: (1) with but two modest exceptions (Syria and Indonesia), no new lines of credit have been extended; (2) moratoriums have been declared on the implementation of sizeable credits to two of the principal neutral countries (Yugoslavia and India); and (3) obligations of significant magnitude have been entered into under other existing lines of credit.
2. In the face of uncertainties over the future of Satellite-Soviet relations and concern for success of the broad reorganization of the Soviet economy, the foreign economic policy of Soviet Bloc countries toward underdeveloped countries in the Free World has entered a wait-and-see phase. Hence, since last October the total amount of SovBloc credit available for underdeveloped countries has stabilized at around the \$1.4 billion level. There is no evidence to suggest that this leveling off reflects anything more than a precautionary attitude on the part of Bloc policymakers.
3. Only two new lines of credit of appreciable size have been extended since October 1956—\$15.1 million worth of equipment and technical services to Syria, and \$36 million in convertible currency to Indonesia. The Syrian credit was made available in March 1957 by Czechoslovakia amid indications that the availability of additional Bloc arms depended upon acceptance of a Czech offer to build an oil refinery in northwest Syria instead of a highly competitive Western offer which was under consideration. The Soviet Union recently has offered Indonesia \$36 million in convertible currency as an emergency measure to avert a domestic financial crisis in Indonesia.
4. Of the total \$1.4 billion in credit extended since 1954, about one-half has been definitely obligated for specific uses. As of 30 June 1957 the underdeveloped countries are known to have drawn at least \$295 million for arms purchases and \$96 million for economic development. Of the total drawn, about \$93 million has been from credits extended by the Soviet Union and \$298 million (mostly for arms) from credits extended by the European Satellites.
5. The status of Bloc credits to the four principal Free World recipients as of 30 June 1957 stood as follows: Yugoslavia—extended, \$464 million; obligated, \$100 million; drawn \$55 million. India—extended, \$270 million; obligated, \$143 million; drawn, \$16 million. Egypt—extended, \$251 million; obligated, \$251 million; drawn, \$250 million. Afghanistan—extended, \$151 million; obligated, \$77 million; drawn, \$25 million.
6. In both Yugoslavia and India the Bloc has postponed obligating credits extended in the last half of 1956 until sometime in 1959. In the case of Yugoslavia this coincided with the emergence of a deteriorating political climate in Yugoslav-Soviet relations. Nevertheless, obligation of and drawing on earlier Bloc credits to Yugoslavia has proceeded. In the case of India, survey work under the recent \$126 million line of credit has been completed by Soviet experts and their recommendations have been turned over to Indian officials. Apparently both Soviet and Indian officials are going ahead with plans for utilizing this credit as soon as the ~~moratorium is lifted~~ <sup>moratorium is lifted</sup>. ~~Blockade~~ <sup>Blockade</sup> in India work on the steel mill at Bhilai is proceeding without any serious difficulties. On the whole, responsible Indian officials seem satisfied with the quality of work and demeanor of the Soviet technical personnel employed on the project.
7. Both Egypt and Afghanistan in recent months have voiced concern over the extent of their involvement with the Soviet Bloc. The presence and energetic activities of a special Soviet mission in Cairo planning for economic aid give the Egyptian protestations an aura of crude bargaining. The Afghans may be somewhat more sincerely concerned. Bloc (mostly Soviet) assistance is more than the economy can readily absorb and far in excess of its ability to repay if all credits granted are fully drawn upon.

8. With many Eloc contracts in the execution stage during the first six months of 1957, the number of Eloc technicians in underdeveloped countries increased greatly compared with previous periods. So far during 1957 more than 2,100 Eloc specialists (including some 700 military technicians and advisers) were engaged in 19 underdeveloped countries for one month or longer. Since several projects that have been contracted for are expected to be started before the end of 1957, it is anticipated that the number of such specialists will increase appreciably in the months to come. For the most part, Eloc technicians, as contrasted with diplomatic and trade mission staffs, are scrupulous in attention to their technical tasks and in avoidance of subversive activities. They generally remain aloof to the local populace and the indigenous Communist parties.

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